

LEICESTERSHIRE COUNTY COUNCIL PENSION FUND**ANNUAL GENERAL MEETING – DECEMBER 11TH 2023****REPORT OF LOCAL PENSION COMMITTEE EMPLOYEE REPRESENTATIVES**

1. The provision of a good defined benefit pension scheme open to all staff such as the Local Government Pension Scheme is a very valuable benefit. Thus the performance of the Leicestershire Fund's investments is important to ensure that the scheme can meet its liabilities to pay pension benefits and grants to pensioners and other beneficiaries, and remains open to further accrual for existing and new employees.
2. The mid-valuation funding position as at 30 September 2023 shows an increase in overall funding level to 149% funded. An increase from the position of the fund as at 31st March 2022, where the assets represented 105% of the liabilities. This means that the Leicestershire Fund's pensions benefits liabilities can currently be referred to as 'fully funded'. The main assumption underlying this increase is that expected future returns are expected to increase to 6.6% pa. This is above the historic long term returns of the fund and we do not consider it prudent to base funding decisions of the fund on this assumption.
3. The actuary estimates that 1% pa lower assumed return would reduce the funding level by 20%. In addition, inflation is assumed to be 2.5%, if it increased to 3.5% it would once again reduce the funding position by around 20%.
4. It should be noted that although the funding position was encouraging, the total funding level is only at a single point in time and the markets continue to fluctuate during a turbulent period for the global economy. Pensions require a very long perspective (a few current scheme members can expect to be still receiving pension benefits in 80 years' time) and the fund should be careful about relaxing employer contributions too much based on a single snapshot in time.
5. As employee representatives we are aware of the interest Central Government has in Local Government Pension Funds and their attempts to influence our investment decisions for example by suggesting that the fund increases its exposure to private equity to 10% from the Fund's current targeted weighting of 7.5%. We believe that such decisions should be made by the Pension Funds themselves in accordance with their fiduciary duty to the scheme members. The assets of the fund are not the government's money and we should resist such interference by Central Government.
6. As part of their Responsible Investment (RI) obligations, Local Government Pension Schemes (LGPSs) have always been required to take account of Environmental, Social & Governance (ESG) factors in their investment decision-making. In common with most LGPSs, the Leicestershire Pension Scheme has recognised climate change as a key ESG risk:
 - a) As employee representatives, we have sought to support & influence the Scheme in its efforts to reconcile increasing climate-related risk with its 'fiduciary' duty to maximise returns from investment through the development

of a Net Zero Climate Strategy.

According to the training that the Scheme provides to new Local Pensions Committee members, the pensions industry in general is rapidly coming to the view that a shift to a more environmentally sustainable form of investing need not come at the expense of returns on investment, or the continued ability to pay out pension benefits.

- b) The Leicestershire Local Pensions Committee agreed a revised Responsible Investment Plan in January 2023. Along with all the Leicestershire Pension Fund's key funding and investment strategy documents, this is available to scheme members on the Fund's website here:

<https://leicsmss.pensiondetails.co.uk/home/scheme-member/lgps/fund-admin-and-guidance/pension-fund-and-finance>

As employee representatives, we have sought to keep the Fund to its timetable for developing a Net Zero Climate Strategy and amending its Investment Strategy Statement accordingly.

7. Employees/pensioners were represented at all Local Pensions Committee & Investment Sub-Committee meetings during the past year.

We would like to thank the LCC Pensions Section for their efficient administration of the benefits of the Fund.

8. To conclude, the Employee representatives are satisfied that the Fund is currently being managed in a professional manner in the best interests of the Scheme members and beneficiaries.

Nick Booth
Clive Pitt

Employee Representatives